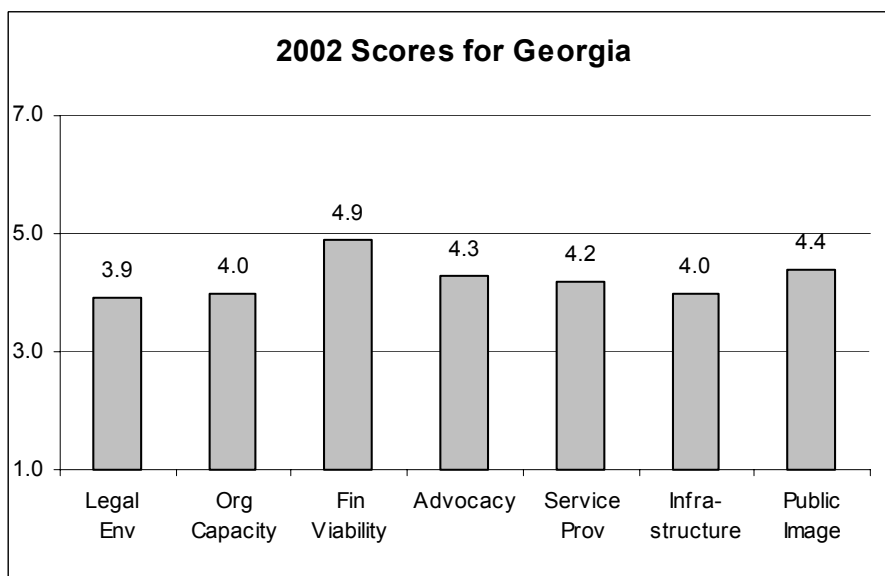


## GEORGIA



**Capital:**  
Tbilisi

**Polity:**  
Presidential-  
parliamentary  
democracy

**Population:**  
4,960,951

**GDP per capita  
(PPP):** \$3,100

### NGO SUSTAINABILITY: 4.2

Georgia's NGO sector struggles to find an effective role in a country plagued by corruption and economic stagnation. In sheer numbers, the sector continues to grow; recently published directories identify 3,848 registered associations and approximately 500 foundations. Over half of all associations and the vast

#### NGO SUSTAINABILITY

2002	4.2
2001	4.0
2000	4.0
1999	3.8
1998	3.4

majority of foundations are registered in the capital Tbilisi, and many of the remaining NGOs are based in the regional cities, indicating an overwhelmingly urban bias to the sector.

Despite the growing numbers, sectoral experts are pessimistic about the prospects for the NGO sector. While NGO performance

may have improved on some dimensions, such as advocacy and organizational capacity, NGOs face increasingly hostile government and media, and a skeptical public, thereby explaining the deterioration in score this year.

Service and advocacy NGOs face different challenges and opportunities. Service NGOs tend to be pragmatic and are willing to explore cooperative relationships with government. Their challenge is to demonstrate that they have useful services to offer their communities. Advocacy NGOs, generally based in the capital, find themselves increasingly under attack as they speak out on issues of corruption and injustice. These NGOs have successfully staved off some regressive legislation, but struggle to articulate a positive agenda and mobilize public opinion around their issues.

## LEGAL ENVIRONMENT: 3.9

The past year has yielded mixed results for the legal environment in which NGOs operate. Drafts of the Charity Law have now

### LEGAL ENVIRONMENT

2002	3.9
2001	4.0
2000	3.0
1999	3.5
1998	3.0

been prepared, and it remains on the Parliamentary agenda, though it is not clear whether it will be considered in the current Parliamentary session. If passed, the Charity Law would provide businesses with tax deductions on contributions up to GEL 10,000 (\$500), thereby providing a foundation for local philanthropy. Nevertheless, NGOs still operate under a tax regime that treats them the same as private companies, which discourages revenue generation. An earlier attempted amendment to the Tax Code, which would have introduced a three percent tax on NGO grants, was successfully thwarted due to a concerted NGO advocacy effort.

Enforcement is also mixed. Registration procedures remain clear and straightforward, although a new GEL 40 (\$20) fee was introduced in April. Also, NGOs' 3% health contribution on salaries has been eliminated. However, NGOs are still unable to reclaim the 22% VAT reimbursements to which they are entitled, as many tax officials are uncer-

tain about documentation, payment and compensation procedures.

Several larger, Tbilisi-based NGOs offer legal advice and assistance to NGOs, particularly for registration. However, they can offer little assistance on tax issues as the procedures are unclear and officials' interpretations differ on compliance procedures.

There are some indications that the State is adopting a more hostile stance toward the NGO sector. A recent Ministry of Finance decree allows a governmental monitoring team to examine NGO documentation to "determine the legitimacy and proper utilization of assistance received by Georgia". NGO representatives view this decree as a government attempt to control grants given to NGOs, and were preparing to lobby against it at the time of writing. In addition, some outspoken human rights NGOs, including the Liberty Institute, have faced physical harassment over the past year. This increasing pressure is a direct result of NGOs' increasing strength and outspokenness, and NGOs have responded by forming coalitions and joint advocacy plans.

## ORGANIZATIONAL CAPACITY: 4.0

### ORGANIZATIONAL CAPACITY

2002	4.0
2001	4.0
2000	4.0
1999	3.5
1998	4.0

No significant changes were noted in the realm of NGO organizational capacity over the past year. As a sector, NGOs continue to face challenges in constituency building, planning and management. Although the vast majority of NGOs are registered as associations, few of them elect Boards of Directors or try to at-

tract new members. Many NGOs are formed in response to the availability of donor funding and are doing little for their communities. NGOs are beginning to recognize the need for planning but have yet to capitalize on local communities' clear sense of their own needs and priorities. Very few NGOs have full-time, paid staff due to their lack of funding sources, and few NGOs prepare financial reports.

There are some signs of progress, however,

which are attributed primarily to NGO sector development programs. NGOs are being created and registered in areas where previously there were none, such as the Tskaltubo District in Kutaisi Region, where many internally displaced persons (IDPs) are located.

NGOs in Akhaltsikhe report increased access to the Internet and computer equip-

ment. In Tbilisi, some leading NGOs have developed strategic plans and introduced merit-based staff promotions out of necessity, in order to keep up with the increasingly sophisticated nature of their programs. The Georgian Young Lawyers' Association, one of the largest Georgian NGOs, recently revised its organizational chart and staff job descriptions, and re-hired for all staff positions based on professional qualifications.

### FINANCIAL VIABILITY: 4.9

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Financial viability continues to be the largest barrier to NGO sustainability. Lack of progress is largely due to a legal environment that discourages revenue generation by NGOs and philanthropic contributions by pri-

FINANCIAL VIABILITY	
2002	4.9
2001	5.0
2000	6.0
1999	4.5
1998	4.0

private businesses, and the widespread poverty and economic depression of the country. Under the Civil Code an NGO activity that generates income risks being closed down. Financial support from the local private sector is practically unheard of; in the words of one NGO representative, "if the tax code is harsh on NGOs, it is harsher on business".

NGOs themselves lack the experience and systems to generate or manage income. NGOs rarely engage in fund-raising, and only micro-credit programs leverage service fees. Donor-funded projects tend to be short-term with specific objectives, and

therefore offer little possibility to generate income. The NGO sector therefore remains largely dependent upon foreign donors.

There are some NGO experiments in income generation, and while the revenue earned through these efforts is still insignificant, their income is currently insignificant, it may signal a trend of NGO efforts at self-reliance. There are several examples of government contracting to NGOs for their expertise. The Ministry of Education, for example, called on experts from the NGO community to design a grants program. The Ministry of Labour held a competition to award a contract to train the unemployed, which was awarded to Abkhaz InterCont, based in Kutaisi. Horizonti recently disbursed several small grants under a facility called Sustainable Development Support Program, to assist NGOs to develop services that will generate income. These grants are complemented by several training courses in sustainability and income generation.

### ADVOCACY: 4.3

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NGOs' advocacy skills and initiatives are improving, but the environment is worsening. This year's advocacy efforts, such as halting proposed amendments to the Law on the Bar Association, and stopping amendments to the Criminal Code that would have cur-

tailed freedom of speech, have been reactive, seeking to prevent adoption of poor or hostile legislation. Much recent NGO advocacy has been in self-defence, including countering their portrayal in the media as "grant eaters", or defending the tax-exempt

**ADVOCACY**

2002	4.3
2001	4.0
2000	2.0
1999	3.5
1998	4.0

status of grants, explaining the lower score this year.

Ironically, State attempts to control NGOs generated one of the most inspiring exam-

ples of NGO advocacy this past year. In response to a proposed three percent tax on NGO grants, a group of NGOs joined forces and in May 2002 created their first joint advocacy plan. An appeal condemning the proposed legislative initiative was prepared and sent to the President and Parliament. A press conference was called, and an NGO fair was held at the Parliament where NGOs informed legislators of the vital role they play, such as providing social services to vulnerable populations. Following a two-month public relations campaign, discussion on the proposed tax was suspended. Currently an NGO coalition continues consultations with the government to elaborate mutually acceptable amendments to the legislation.

NGOs, particularly those based in Tbilisi, noted a trend of media or even physical attacks on NGOs that speak out against

the government on corruption or other issues. A disturbing incident was the July 10 break-in to the Liberty Institute and the beating of its staff. Liberty Institute is outspoken on corruption and human rights cases, and irritated some elements of Georgian society in their championing of religious freedom. Many people felt that the State gave its tacit approval to the break-in, and the one man charged was acquitted for lack of evidence.

In order to increase the effectiveness of their advocacy initiatives, NGOs must take better advantage of all available tools. For example, the Freedom of Information Act, adopted at NGOs' initiative, allows citizens to attend public hearings and request budgetary and other government information, but few NGOs have the skills or will to exercise this right. Some of the groups that are making use of this include the Georgian Young Lawyers' Association, which is monitoring the President's Anti-Corruption Decree; the Union of Imereti Scientists, which publicizes government tender announcements to promote fair competition; and the Young Scientists' Club in Ozurgeti, which is assisting six "sakrebulo", or local councils, to enter their records and budget information into a database on the Internet.

## **SERVICE PROVISION: 4.2**

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NGOs continue to provide a range of services to citizens, including mediation services, training, publications, business loans and advisory services, legal counseling and information, policy analysis, research and public opinion surveys, and organizational development of NGOs and community

**SERVICE PROVISION**

2002	4.2
2001	4.0
2000	5.0
1999	4.0

groups. With donor support many community-based NGOs are engaged in community infrastructure projects, such as rehabilitating roads, water systems, schools and canals.

However, NGOs find that the sustainability of these services is undermined by the tax

regime, which virtually eliminates any revenues. Law-abiding NGOs feel they are at a disadvantage competing with businesses that evade tax payment. NGOs are also pessimistic about citizens' ability or willingness to pay for services. For example, Constanta has found few entrepreneurs willing to pay for their business advisory services. As a result, a number of NGOs provide free services, such as the Independent Union of Journalists' provision of free computer services to journalists.

Nevertheless some examples of cost-covering services can be found. The Union of Democratic Meskhs offers paid Internet service, while another NGO, Kvelmokedi, subsidizes its Georgian language lessons for

the Armenian minority in the south of the country by offering fee-based English

courses.

## INFRASTRUCTURE: 4.0

NGOs continue to note some progress on sectoral infrastructure. Local donors or on-grantors, such as Horizonti, the Open Society Georgia Foundation, Eurasia Founda-

### INFRASTRUCTURE

2002	4.0
2001	3.0
2000	3.0
1999	3.5

tion, Mercy Corps or CARE, reach grassroots NGOs in many parts of the country, and support a range of activities from

community infrastructure to advocacy. Intermediary support organizations and resource centers exist in some parts of the country. NGO training is becoming more common, which has had some positive results, such as better quality proposals and enhanced project management. There is still a need for a broader range of training topics and more flexible delivery arrangements. For example, while Horizonti's financial management training provides basic concepts and tools to less advanced NGOs, practical, advanced training in NGO financial management is not available.

Some successful NGO-government partnerships do exist. United Nations Association of Georgia has collaborated with the

Rustavi Mayor's Office to develop citizen relations facilities and materials. The government also now provides more information to NGOs and invites NGOs to meetings. The Governor of Kutaisi, for example, regularly consults NGOs and has appointed three former NGO practitioners to his staff. NGOs occasionally offer training to government staff, as government does not have funds for such.

Despite these examples, inter-sectoral partnerships are still generally seen to be rare or ineffective. NGOs are skeptical of government's sincerity, and feel that government is only transparent to the extent that NGOs demand it. Government officials listen to NGOs when it suits them, and expect NGOs to report to them. Partnerships with business are still rare, and there is some evidence that businesses take their cue from government's hardening stance against NGOs, and prefer to distance themselves. For example, the Georgian Economic Development Institute found some difficulty working with the Industrialists Party on drafting a new tax code, due to businesses' fear of alienating government.

## PUBLIC IMAGE: 4.4

### PUBLIC IMAGE

2002	4.4
2001	4.0
2000	5.0
1999	4.0
1998	2.0

The public image of NGOs varies to some extent by region. Tbilisi-based NGOs feel that media hostility towards NGOs has consolidated over the past year, while NGOs' ability to

respond has not. They feel that NGOs are vulnerable to media attacks, as they are isolated from the public, and have weak public relations skills. Government attacks on

NGOs are seen to be a direct response to NGOs' outspokenness on issues of corruption and government incompetence. This has had a ripple effect in the media, which reports government statements. And while some independent media sources work with NGOs on anti-corruption stories, most are attracted to the sensational tactics of some of the radical, nationalist and religious fundamental groups.

NGOs in Kutaisi and Akhaltsikhe characterized the public's view of the sector as moving from suspicion to indifference or curiosity. People are aware of NGOs' existence, but have little specific knowledge of their activities. NGOs do not yet realize that they need to reach out to the media. People appreciate the many rehabilitation projects undertaken in villages, but do not know who deserves credit for them because NGOs do not publicize their work.

NGOs need to do more to improve their pub-

lic image. For example, NGOs need to be more transparent and forthcoming with information about their activities and use of funds. However, this is difficult to do as donors rarely allow public relations expenses to be included in project budgets, assuming that NGOs are able to publicize their work for free. A notable exception is Horizonti, which has funded publication of several NGOs' annual reports. NGOs also need to do a better job of defining and holding themselves to standards of conduct.